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FRASER COMPANIES, LIMITED

Annual Report

1961



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Feb 22/62



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DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

E. R. ALEXANDER	H. ROY CRABTREE
F. PHILIPPE BRAIS, C.B.E., Q.C.	ROY A. JODREY, LL.D.
RALPH B. BRENAN	K. W. MATHESON
ARTHUR H. CAMPBELL	A. L. PENHALE
AUBREY CRABTREE, LL.D.	L. M. SHERWOOD

EXECUTIVE COMMITTEE*

AUBREY CRABTREE, <i>Chairman</i>	
RALPH B. BRENAN	ROY A. JODREY
H. ROY CRABTREE	L. M. SHERWOOD

OFFICERS

AUBREY CRABTREE -	-	-	-	-	-	-	Chairman of the Board and President
K. W. MATHESON	-	-	-	-	-	-	Vice-President
C. T. CLARK -	-	-	-	-	-	-	Vice-President - Manufacturing
W. A. KETCHEN	-	-	-	-	-	-	Vice-President - Technical Services
E. S. McLEAN	-	-	-	-	-	-	Treasurer
G. G. GILLIES, F.C.I.S.	-	-	-	-	-	-	Secretary
F. B. RICHARDS, C.P.A.	-	-	-	-	-	-	Controller
H. P. HIERLIHY	-	-	-	-	-	-	Assistant Treasurer
B. W. HICKS	-	-	-	-	-	-	Assistant Secretary
C. S. HENDERSON -	-	-	-	-	-	-	Assistant Controller
H. M. LOGAN, C.A.	-	-	-	-	-	-	Assistant Controller

*The Board of Directors of the subsidiary company, Fraser Paper, Limited, is comprised of the members of the Executive Committee and K. W. Matheson

DIRECTORS' REPORT

TO THE SHAREHOLDERS, FRASER COMPANIES, LIMITED:

The consolidated balance sheet at December 31, 1961, and the consolidated statements of income and expenditure and earned surplus for the year ended December 31, 1961, of Fraser Companies, Limited and its wholly-owned subsidiary, Fraser Paper, Limited, are submitted herewith.

Earnings for the year, before interest charges and provisions for depletion, depreciation and taxes on income, amounted to \$10,735,111 compared with \$10,736,523 in 1960.

The profit for the year after all charges, including provisions for depletion and depreciation of \$3,980,534 and a provision of \$3,311,000 for taxes on income, amounted to \$3,380,577 equivalent to \$1.52 per share, as compared with \$3,613,208 equivalent to \$1.62 per share in 1960. During the general slowdown of business activity in the first quarter of the year, profits were off sharply from the previous year. However, for the final nine months of the year profits showed an improvement compared with the same period in 1960.

Dividends declared on the common stock during 1961 amounted to \$2,671,322, consisting of four quarterly dividends of thirty cents per share. The regular quarterly dividend declared in November 1961 was paid in January 1962.

In accordance with the terms of the Deed of Trust and Mortgage, First Mortgage and Collateral Trust Bonds 3% Series due January 1, 1967, in the principal amount of \$350,000, were redeemed during the year, leaving a balance outstanding of \$1,750,000.

Net additions and improvements to plants and properties during the year totalled \$2,443,956.

The consolidated net working capital at the end of the year was \$13,379,380.

Conversion of United States funds into Canadian funds during the year contributed \$384,835 to earnings before provision for taxes on income.

Total shipments of pulp, paper and paperboard for the year amounted to 268,912 tons. This represents an increase of 28,624 tons over the previous year, due principally to increased shipments of woodpulp to overseas markets. Lumber shipments amounted to 31,089,000 board feet compared with 27,119,000 board feet in 1960.

Sales of paperboard from the mill at Edmundston were adversely affected by increased capacity for this product in Canada and substantial imports of coated paperboard from the United States. Shipments declined from the previous year, resulting in operations at less than capacity level in 1961.

Increased shipments of sulphite and unbleached kraft woodpulp resulted in increased operations at the Atholville pulpmill and record shipments from the Newcastle pulpmill. A substantial part of this increased production was exported to overseas markets at a reduced net revenue. Following a reduction of five dollars per ton in November 1960, our price of unbleached kraft pulp in North America remained unchanged throughout 1961. Since the reduction of fifteen dollars per ton in the price of bleached sulphite pulp in



DIRECTORS' REPORT CONTINUED

November 1960, there was a further decline of three dollars per ton in the last quarter of 1961, resulting in a total decline of eighteen dollars per ton in the fourteen-month period ended December 31, 1961.

The demand for papers manufactured from bleached chemical fibres improved moderately in the United States during 1961. Increased shipments from the paper mill at Madawaska, Maine manufacturing these papers reflected this improvement. The groundwood specialty paper mill at Madawaska operated at normal levels throughout the year. The necessity for more exacting quality specifications and more costly delivery service, combined with lower prices for some grades of paper, affected the earnings from paper operations. Offsetting these factors to some extent has been the successful development and marketing of certain new grades of paper introduced during the year.

The new paper machine, which commenced operation in the latter part of 1960, performed in a very satisfactory manner during the year. In addition to improving the overall efficiency of the mill manufacturing papers from bleached chemical fibres, this machine has permitted entry into the offset paper field. This is a growing segment of the market and the favourable reception of our sheet has been encouraging. Sales efforts continue to be directed toward achieving full operation of the additional capacity created by the new paper machine.

The free world pulp and paper industry has developed capacity which anticipates demand for the next few years. The present imbalance between supply and demand has resulted in markets which are extremely competitive as to price and quality. Greater efficiency and lower costs are imperative to remain competitive in the world markets, particularly so with the current trend toward lower tariffs. Refinements in process, development of new techniques, and improvements in equipment will continue to be necessary in order to market products manufactured by the company.

The installation of equipment in the Edmundston mill to coat paperboard was completed in the latter part of the year. While certain start-up difficulties were encountered, trial shipments were made in December. This equipment will permit serving an expanding demand for coated paperboard.

Equipment for the handling and storage of wood chips was installed and placed in operation at the Atholville and Newcastle pulpmills during the year. This will substitute the conventional roundwood storage with chip storage which will provide operating economies for the two mills through reduced handling costs.

Other major capital projects during the year included the provision of equipment at the Newcastle mill to burn oil in the coal fired boiler, a new horizontal size press on one paper machine at Madawaska, and the installation of additional equipment to improve the efficiency of the paper finishing operations at Madawaska.

A program was initiated during the year for the modernization of one of the two groundwood specialty paper machines at Madawaska. This program is similar to that carried out on the other groundwood specialty paper machine in 1957 and includes new screens, wet end, press section and ventilation system. Work on the new ventilation system was well advanced at year-end and orders were placed for all principal equipment. This project, which is scheduled for completion in mid 1962, will provide improved quality and increased capacity for the manufacture of groundwood specialty papers.

At the end of the year, preliminary construction work was in progress on a building to house a new steam generator at Madawaska. An order for the steam generator has been placed and it is anticipated that this unit will be available for operation in the latter part of 1962. This installation is required to replace certain equipment which has been in service for over thirty-two years.

During the year, the research group of the company made significant progress in the development of a method to recover for re-use the base chemicals used in the manufacture of sulphite pulp. Following the successful application of a modified sulphite pulping process to hardwoods, the research group is investigating the feasibility of applying this process to softwoods. This process is designed to improve the papermaking properties of sulphite pulp. In addition, projects for the development of by-products from spent sulphite liquor are being carried out on our behalf by a Canadian research organization.

All labour agreements which expired during the year were renewed with the exception of the labour agreement for employees at the Cabano sawmill which remained unsettled at the year-end.

During the year, the company became associated with Sogemines Limited and others in studying the feasibility of Rothesay Paper Corporation establishing a newsprint mill at East Saint John, New Brunswick. Should arrangements be concluded before the end of 1962 for the construction of such a newsprint mill, certain areas of our Crown and freehold timber lands in the southern part of New Brunswick will be sold to Rothesay Paper Corporation. In addition, the principal requirements of chemical pulp for the proposed newsprint mill would be purchased from our sulphite pulpmill at Atholville, N.B.

Aerial spraying operations against the spruce budworm were carried out by Forest Protection Limited in 1961 over a large area in the central part of New Brunswick and a small area in the eastern part of the Province of Quebec. New spraying techniques were applied with gratifying results. Present plans are to carry on a spraying program in 1962 in the same general areas as last year, but the acreage to be sprayed will be substantially reduced. As a result of previous spraying operations, the northern part of the Province of New Brunswick continues to be free of the spruce budworm in epidemic numbers.

An amendment to the General By-Laws of the company permitting a change to the interchangeable system of stock transfers was approved at the last Annual General Meeting of the Shareholders and the interchangeable system became effective on May 1, 1961. At the same time, an additional stock transfer office was opened in Vancouver, B.C. These changes should prove more convenient for the shareholders.

We are ever mindful of the continuing loyalty and support of our employees, customers and suppliers and to them we express our grateful appreciation.

Submitted on behalf of the Board of Directors.

Aubrey Bradie

Edmundston, New Brunswick,
February 16, 1962.

Chairman and President



FRASER COMPANIES, LIMITED

CONSOLIDATED BALANCE

(with comparatives figures)

ASSETS

1961

1960

CURRENT:

Cash	\$ 3,523,672	\$ 1,976,509
Accounts receivable — less reserve	4,027,323	3,304,018
Inventories, valued at the lower of cost or market, less reserve, comprising raw materials and supplies, goods in process and finished products, and logging and pulpwood advances season 1961-1962, as certified by responsible officials of the companies	13,663,989	13,691,861
Prepaid insurance	166,569	133,979
	21,381,553	19,106,367

INVESTMENTS — OTHER

111,608

105,433

FIXED:

Freehold and leasehold timber limits, buildings, mills, equipment, etc., as valued at December 31, 1932 (such valuation being less than cost), with subsequent additions at cost, less deductions for equipment and property sold	98,257,557	95,898,631
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Less:

Accumulated depletion and depreciation	66,003,762	62,108,258
	32,253,795	33,790,373
Approved on behalf of the Board:		
AUBREY CRABTREE, Director	\$53,746,956	\$53,002,173
K. W. MATHESON, Director		

AUDITORS' REPORT TO THE SHAREHOLDERS

FRASER COMPANIES, LIMITED,
EDMUNDSTON, N.B.

We have examined the consolidated balance sheet of Fraser Companies, Limited and its wholly-owned subsidiary, Fraser Paper, Limited as at December 31, 1961 and the related statements of income and expenditure and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the above consolidated balance sheet as supplemented by the notes (a) and (b) appended thereto and related statements of income and expenditure and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Fraser Companies, Limited and Fraser Paper, Limited as at December 31, 1961 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MONTREAL, QUE.
FEBRUARY 9, 1962

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

AND FRASER PAPER, LIMITED

SHEET AS AT DECEMBER 31, 1961

(s at December 31, 1960)

LIABILITIES AND CAPITAL

1961

1960

CURRENT:

Accounts payable	\$ 3,812,595	\$ 3,521,563
Payrolls and other charges accrued	1,546,057	1,414,353
Dividend — payable January 29, 1962	667,831	667,831
Taxes on income — estimated	1,975,690	2,012,898
	<hr/>	<hr/>
	8,002,173	7,616,645

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

Authorized	<u>\$12,000,000</u>	
Issued:		
2½% Serial bonds due 1948-1957	3,500,000	
Less: Retired	<u>3,500,000</u>	
		<hr/>
3% Series due January 1, 1967	3,500,000	3,500,000
Less: Redeemed	1,750,000	1,400,000
(\$350,000 redeemable annually)		
	<hr/>	<hr/>
RESERVE FOR CONTINGENCIES	1,750,000	2,100,000
	<hr/>	<hr/>
	1,388,000	1,388,000

CAPITAL AND SURPLUS:

Common shares without nominal or par value:		
Authorized—3,000,000 shares		
Issued —2,226,102 shares	3,984,483	3,984,483
Capital surplus	1,231,286	1,231,286
Earned surplus	37,391,014	36,681,759
	<hr/>	<hr/>
	42,606,783	41,897,528
	<hr/>	<hr/>
	\$53,746,956	\$53,002,173

Notes:

- (a) In consolidating the balance sheet of Fraser Paper, Limited, which operates in the United States of America, American dollars are expressed as an equal number of Canadian dollars.
- (b) Commitments for the purchase of machinery, equipment and construction materials for additions and improvements to plants and properties amounted to approximately \$1,394,000 at December 31, 1961.



FRASER COMPANIES, LIMITED AND FRASER PAPER, LIMITED

STATEMENT OF CONSOLIDATED INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31, 1961

(with comparative figures for 1960)

	1961	1960
Earnings for the year (including \$50,366 investment income), after operating expenses, etc., (including executive officers' salaries and legal fees of \$197,171 and directors' remuneration of \$5,800), but before providing for the undernoted items:	\$10,735,111	\$10,736,523
Deduct:		
Bond interest	63,000	73,500
	<hr/>	<hr/>
Deduct:		
Provision for depletion and depreciation	3,980,534	3,669,815
	<hr/>	<hr/>
Deduct:		
Provision for taxes on income	6,691,577	6,993,208
	<hr/>	<hr/>
Profit for the year	3,311,000	3,380,000
	<hr/>	<hr/>
Profit for the year	<u>\$ 3,380,577</u>	<u>\$ 3,613,208</u>
	<hr/>	<hr/>

STATEMENT OF CONSOLIDATED EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1961

(with comparative figures for 1960)

Balance at beginning of the year	\$36,681,759	\$35,739,873
Add:		
Profit for the year	3,380,577	3,613,208
	<hr/>	<hr/>
Dividends	40,062,336	39,353,081
	<hr/>	<hr/>
Deduct:		
Dividends	2,671,322	2,671,322
	<hr/>	<hr/>
Balance at end of the year	<u>\$37,391,014</u>	<u>\$36,681,759</u>
	<hr/>	<hr/>

SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1961

(with comparative figures for 1960)

1961

1960

SOURCE OF FUNDS

Profit for the year	\$ 3,380,577	\$ 3,613,208
Provision for depletion and depreciation	3,980,534	3,669,815
	<u>\$ 7,361,111</u>	<u>\$ 7,283,023</u>

APPLICATION OF FUNDS

Net additions and improvements to plants and properties	\$ 2,443,956	\$ 7,589,835
Bonds redeemed	350,000	350,000
Dividends declared	2,671,322	2,671,322
Investments increased	6,175	5,890
	<u>5,471,453</u>	<u>10,617,047</u>
Working Capital increased* or decreased	1,889,658*	3,334,024
	<u>\$ 7,361,111</u>	<u>\$ 7,283,023</u>



TEN YEAR COMPARISON

FOR THE YEAR	1961	1960	1959
QUANTITIES SHIPPED:			
PULP, PAPER AND PAPERBOARD (tons)	268,912	240,288	240,396
LUMBER (M f.b.m.)	31,089	27,119	31,397
NET SALES	\$55,605,429	\$53,745,497	\$55,133,065
PROVISION FOR TAXES ON INCOME	3,311,000	3,380,000	4,271,000
INCOME TAXES PER COMMON SHARE	1.49	1.52	1.92
PROFIT FOR YEAR	3,380,577	3,613,208	4,150,700
EARNED PER COMMON SHARE	1.52	1.62	1.86
DIVIDENDS DECLARED PER COMMON SHARE	1.20	1.20	1.50
NET ADDITIONS TO PLANTS AND PROPERTIES	2,443,956	7,589,835	5,097,985
DEPLETION AND DEPRECIATION	3,980,534	3,669,815	3,627,707
 END OF YEAR			
WORKING CAPITAL	\$13,379,380	\$11,489,722	\$14,823,746
CURRENT RATIO (Current assets to current liabilities)	2.7	2.5	2.8
BONDED DEBT	\$ 1,750,000	\$ 2,100,000	\$2,450,000
PREFERRED SHARES	—	—	—
COMMON SHAREHOLDERS' EQUITY	42,606,783	41,897,528	40,955,642

NOTE: 2,226,102 common shares were outstanding from 1952 to 1961 inclusive.

1958	1957	1956	1955	1954	1953	1952
242,454	265,214	284,815	273,169	253,668	243,192	227,779
27,691	23,042	30,299	32,746	32,180	23,866	29,284
54,564,038	\$57,557,950	\$60,763,503	\$55,229,467	\$50,337,139	\$47,970,668	\$47,188,123
4,484,000	5,081,000	6,338,000	5,230,000	4,636,000	4,994,000	5,199,000
2.02	2.28	2.85	2.35	2.08	2.24	2.34
4,621,859	5,298,524	6,705,642	5,710,785	4,868,171	2,973,740	3,455,575
2.07	2.38	3.01	2.56	2.16	1.30	1.52
1.50	1.50	1.65	1.50	1.00	1.00	1.00
4,346,182	6,482,333	5,011,088	4,174,830	2,416,128	2,641,330	3,019,528
3,938,841	3,726,790	3,621,535	3,418,655	3,115,694	3,065,835	3,169,923
15,839,244	\$15,319,393	\$16,471,023	\$15,183,385	\$13,913,737	\$10,941,924	\$10,378,321
2.8	2.5	2.5	2.5	2.6	2.2	2.1
\$2,800,000	\$3,150,000	\$3,500,000	\$3,850,000	\$4,200,000	\$4,550,000	\$4,900,000
—	—	—	—	—	1,424,100	1,424,100
40,144,096	38,861,390	36,902,019	33,869,445	31,488,813	27,703,773	27,023,780



MILLS AND OFFICES

GENERAL AND EXECUTIVE OFFICES

EDMUNDSTON, NEW BRUNSWICK

MILLS

EDMUNDSTON, NEW BRUNSWICK

sulphite and groundwood pulpmills,
sulphite and kraft bleaching plants and paperboard mill

ATHOLVILLE, NEW BRUNSWICK

bleached sulphite pulpmill

NEWCASTLE, NEW BRUNSWICK

unbleached kraft pulpmill

PLASTER ROCK, NEW BRUNSWICK

sawmill and dressing mill

CABANO, QUEBEC

sawmill and dressing mill

FRASER
COMPANIES,
LIMITED

DIVISIONAL OFFICES FOR DISTRICT WOODS OPERATIONS

EDMUNDSTON, N.B.

PLASTER ROCK, N.B.

NEWCASTLE, N.B.

FREDERICTON, N.B.

ATHOLVILLE, N.B.

CABANO, P.Q.

SALES OFFICES

1010 ST. CATHERINE ST. W., MONTREAL 2, QUE. pulp and paperboard sales

159 BAY ST., TORONTO 1, ONT. paperboard sales

EDMUNDSTON, NEW BRUNSWICK

lumber sales

MILLS

MADAWASKA, MAINE

{ paper mills manufacturing high grade specialty
papers from chemical and groundwood pulps

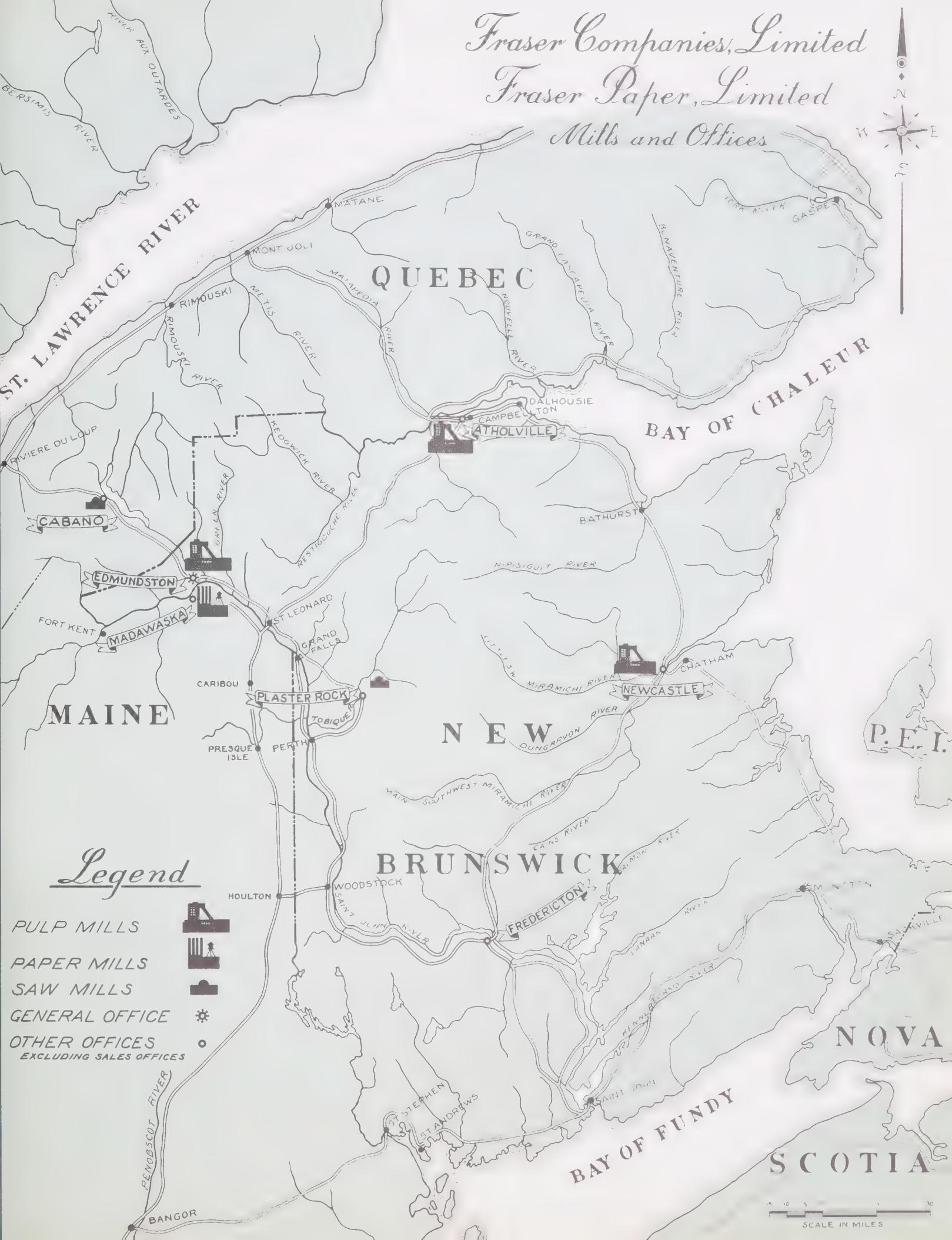
SALES OFFICES

420 LEXINGTON AVE., NEW YORK 17, N.Y.

111 W. WASHINGTON ST., CHICAGO 2, ILL.

FRASER PAPER,
LIMITED
(Subsidiary Company)

Fraser Companies, Limited
Fraser Paper, Limited
Mills and Offices



10 5 0 5 10 15
SCALE IN MILES



FRASER QUALITY PRODUCTS

MANUFACTURED
IN CANADA

FRASER PULPS

Unbleached Kraft
for: — Specialty Papers - Paperboard

Restigouche Bleached and Unbleached Sulphite
for: — Bond - Book - Offset and Business Forms - Sanitary and
Cleansing Tissues - Paperboard

FRASER PAPERBOARDS

Coated and Uncoated Paperboards - Single and Double White
Lined Board - Fra-Pak Solid Bleached Board - Specialty Board
for: — Food Containers - Folding Boxes - Specialties

FRASER LUMBER

Eastern Canadian Spruce

FRASER PRINTING PAPERS

Snowland Bond - Snowland Mimeograph - Snowland Ledger -
Snowland Duplicator - Snowland Manifold - Fra-opaque -
Kedgwick Offset

FRASER BUSINESS PAPERS

Register Bond and Fanform for Multicopy, Fanfold,
and Continuous Forms

FRASER CONVERTING PAPERS

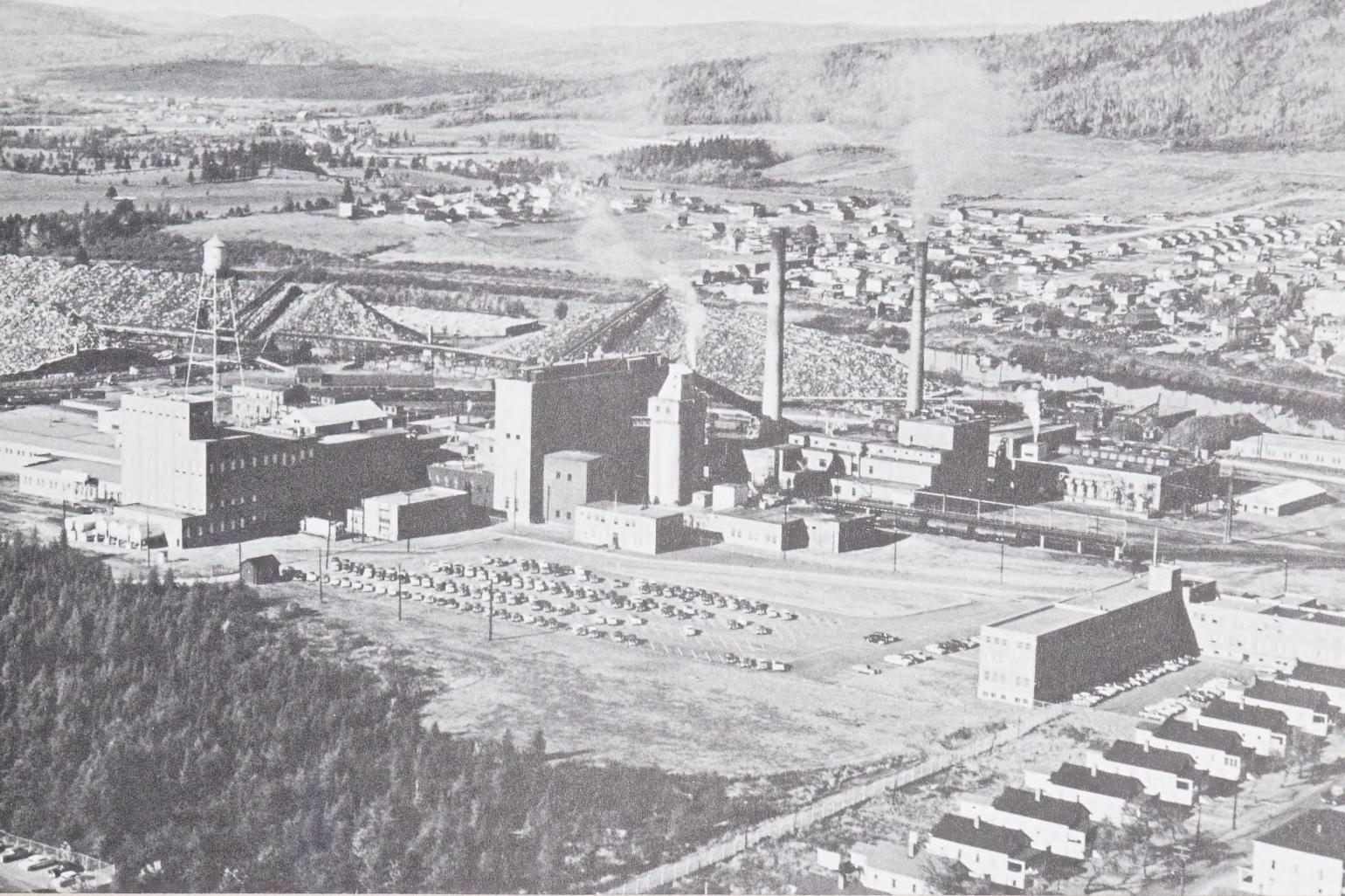
(Including Fracote - a coated paper)

for: — Carton Wraps - Bread Wraps - Frozen Food Wraps -
Treated Food Wraps - Drinking Straws - Gift Wraps -
Waxings - Greeting Cards - Charts - Tablets - Envelopes -
other specialty paper products and for laminating

FRASER GROUNDWOOD PAPERS

Catalogue - Directory - Specialties - in Rotogravure, Letterpress,
and Offset Finishes

MANUFACTURED
IN U.S.A.



EDMUNDSTON MILLS

In this aerial view you see the Edmundston pulpmill of Fraser Companies, Limited, one of the three pulpmills of the company in the Province of New Brunswick, the other two being at Atholville and at Newcastle. The building in the foreground houses the general and executive offices of the company.

The mill has a daily capacity of 95 tons of coated and uncoated paperboards, 150 tons of groundwood and 450 tons of unbleached sulphite woodpulp. Approximately 80% of the unbleached sulphite and 100 tons per day of unbleached sulphate from the kraft pulpmill at Newcastle are bleached in the plant at Edmundston.

The fibre from this mill, after providing for paperboard requirements, is used in the papermills of Fraser Paper, Limited, a subsidiary company with mills located across the Saint John River at Madawaska, Maine. The pulp is pumped in slush form from the Edmundston pulpmill through mile long pipelines, across the international boundary, to the papermills. There the pulp is made into a wide variety of papers, such as business and printing papers and specialty converting papers, for markets in the United States.

About 1,000 employees of the company reside in the City of Edmundston, which has a population of 12,500 and is located in the northwest corner of the Province of New Brunswick, where the Madawaska River joins the Saint John River.



THE ANNUAL GENERAL MEETING of the Shareholders of Fraser Companies, Limited will be held at the general office of the company at Edmundston, N.B. on Wednesday, the 21st day of March, 1962, at the hour of ten o'clock in the forenoon, Atlantic Standard Time.

AUDITORS

- TOUCHE, ROSS, BAILEY & SMART

STOCK TRANSFER AGENT
AND REGISTRAR

- MONTREAL TRUST COMPANY
P.O. Box 10, Place d'Armes,
Montreal, Quebec
- 15 King Street West,
Toronto, Ontario
- 104 Prince William Street,
Saint John, New Brunswick
- 466 Howe Street,
Vancouver, B.C.

STOCK LISTED

- MONTREAL STOCK EXCHANGE
- TORONTO STOCK EXCHANGE

